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SUBJECT: UAE Central Bank on Afghanistan, Iran

REF: 09 ABU DHABI 783

CLASSIFIED BY: Richard Olson, Ambassador, State Department, Embassy  
Abu Dhabi; REASON: 1.4(B), (D)

STATE FOR S/SRAP, SCA, AND NEA/ARP

TREASURY FOR U/S LEVEY, A/S COHEN

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¶1. (S/NF) Summary. On 12 January 2010, Treasury Department Assistant Secretary David Cohen met with UAE Central Bank Governor Sultan bin Nasser al Suweidi. Governor Suweidi and Cohen discussed options for additional cash movement controls with respect to Afghanistan and Pakistan and the status of sanctions targeting Iran. End Summary.

¶2. (S/NF) Cohen identified the UAE's lack of outbound cash declaration regulations as a strategic gap in the UAE's ability to detect and disrupt illicit finance activity, including possible funds moving from the UAE to the Taliban in South Asia. Governor Suweidi agreed that the UAE needs to do something on outbound cash and said that the Central Bank had "done its work," suggesting that the ultimate decision making authority on the issue rests outside his institution. The Governor offered to raise the issue with UAE Foreign Minister Shiekh Abdullah bin Zayed al Nahyan and encouraged Cohen to do the same (NOTE: In an earlier meeting Cohen and SRAP Holbrooke raised the issue with Shiekh Abdullah. END NOTE.)

¶3. (S/NF) Cohen asked Governor Suweidi about UAE-based money service businesses (MSBs) that transfer money to or from Afghanistan. The Governor explained that some UAE-based MSBs maintain offices in Afghanistan. He said that in the UAE, these MSBs usually employ Afghan nationals to service the local Afghan labor and merchant community. He said that the UAE Central Bank is interested in mapping out the UAE MSBs servicing Afghanistan.

¶4. (S/NF) Governor Suweidi expressed concern that there is a lack of controls on MSBs in Afghanistan and suggested that the U.S. and the UAE work with the Afghans to improve their regulatory oversight

of MSBs. He recommended that the UAE, with U.S. support, bring some Afghan regulators to the UAE for training and capacity building. He suggested a process where the UAE and Afghanistan could match MSB reporting records and then jointly implement controls. Governor Suweidi requested that Cohen propose a work plan describing how the U.S., UAE and Afghanistan can work together to improve controls on MSBs transferring funds to and from Afghanistan.

15. (S/NF) Cohen inquired about the status of Persia International Bank (PIB), an Iranian financial institution resident in the Dubai International Financial Center (DIFC). Governor Suweidi said that the UK authorities want to get rid of PIB's UK headquarters and asked the bank to secretly move its entire operation and assets to the DIFC. The Governor shared that he warned the DIFC not to fall for the "trick of BCCI." (NOTE: According to the Governor, in 1990 the UK encouraged the UAE to take in BCCI prior to the collapse of infamously toxic financial institution. END NOTE.)

16. (S/NF) Governor Suweidi said that the UAE rejected any transfer of assets or records from PIB's UK headquarters. He said that when the UK pulls the plug, so will the DIFC, adding "the day of slaughtering PIB has come very close." He said if the UK does not act, the UAE will continue to resist transactions, but the UAE will otherwise be restricted in what it can do.

17. (S/NF) With respect to Bank Melli and Bank Saderat branches in the UAE, Governor Suweidi said that the Central Bank is monitoring all transactions over a certain limit, with inspectors ensuring that the banks are in compliance with international sanctions.

18. (S/NF) Governor Suweidi said that Emirates NBD's exposure to Iranian accounts was being reduced. He stated that the accounts that Emirates NBD maintained were for non-sanctioned Iranian banks. The Governor said he emphasized with the bank concerns regarding IRISL, but noted to Cohen that letter of credit activity for IRISL shipments remained a complicated issue as the UAE facilitates much legitimate trade with Iran, such as food, medicine and consumer products. He expressed concern over U.S. preference for wholesale bans against IRISL ships and letters of credit. He encouraged the U.S. to be realistic with its allies and be reasonable with respect to the treatment of IRISL ships.

19. (S/NF) The Governor pointed to several situations where the UAE has taken aggressive unilateral measures, and been left stranded and exposed after the U.S. and the international community lost interest. He specifically mentioned the frozen accounts of the Somali Barakat exchange company, the frozen accounts of Dina Khan (relative of AQ Khan) and a captured ship currently held in Khor Fakkan, UAE.

OLSON